Military Regimes, Neoliberal Restructuring, and Economic Development: Reassessing the Chilean Case

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Using a comparative framework, this essay argues against the claim that General Augusto Pinochet's Chile provides a model of economic development for Eastern Europe and the former Soviet Union. I argue that Chile's experience represents an anomaly among military regimes. Key to understanding economic policymaking rests on an understanding of how economic policymakers are chosen. Like all political leaders, the primary goal of military rulers is survival. Military rulers choose policymakers based on their political contribution to the ruler's survival. The evidence presented shows that Chile's choice of economic policy and economic policy makers was not a function of economic efficiency but, like Argentina and Uruguay, was chosen on the basis of political expediency. It was merely by chance political need that Chile's military chose the "correct" economic policies and not through any "true" understanding of the requirements for economic development.

Following the collapse of the Soviet Union and Eastern Europe, questions arose about the types of economic policies these countries should choose in an effort to promote economic development.[1] Some argued that Chile's experience under military rule represented the best economic model for these former communist regimes.[2] In the 1970s with state ownership and protectionism dominating policy agendas in most developing countries Chile, under the military regime of General Augusto Pinochet, became the first to orient its economy towards the market.

Echoing arguments made in the 1960s and 1970s (Huntington 1968), some claim that on the basis of Chile's experience, military or authoritarian regimes, more generally, provide the ideal circumstances for the attainment of high rates of economic growth in the medium and long run (Malloy1987; Olson 1982).[3] These regimes do not seek reelection or popularity, so the story goes, which enables them to ignore societal interests usually hurt in the short term by stabilization or adjustment policies. Despite economic inequalities and severe military repression, Chile's

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high rate of growth in the mid-to-late 1980s made it appear an ideal model for others to imitate.

However, what supporters of this argument fail to notice is that military regimes have initiated different economic policies and have varied widely in their economic results (Haggard 1986; Remmer 1986). Indeed, many military regimes did worse than the democratic governments they replaced. Chile took more than ten years to achieve its high economic growth rates.

Rather than seeing Chile's experience as a model for others to follow, the evidence presented demonstrates that its experience represents an anomaly among military regimes. The circumstances under which Chile initiated and sustained market-oriented economic policies are fairly uncommon in comparison to policies chosen by other military regimes.

During the 1970s and 1980s, military regimes in Argentina (1966-1973, 1976-1983), Chile (1973-1989), and Uruguay (1973-1984) faced nearly identical international conditions, had similar cultural and historical legacies, and were at comparable levels of economic development (Stepan 1985). Although many of the finance ministers and government leaders in Argentina and Uruguay mimicked Chile in declaring their support for market-oriented orthodox policies, in the end these regimes failed to follow the Chilean model. In fact, only under recent democratic regimes have these countries begun to follow the Chilean model.[4]

This suggests that the path to economic development does not follow automatically from a military regime as some supporters of the Chilean model would have us believe. In order to evaluate the applicability of the Chilean model to other states we must first look at the unique aspects of military rule in Chile. By comparing the economic policies of military regimes in Argentina, Chile, and Uruguay, this article shows how stringent are the conditions under which military regimes achieve economic growth.

To understand why military regimes choose different economic policies, the importance of ideas and professional socialization is stressed. The evidence presented demonstrates that a high proportion of neoliberal economists in economic policy-making positions—most of whom received their graduate training in economics in the United States or studied under others trained in the U.S.—contributes to the initiation and maintenance of orthodox economic policies. Based on their training, neoliberal economists hold similar economic ideas. Their ideas enable them to create a buffer against societal interests, which helps them to implement their policy preferences.

Whether neoliberal economists will be appointed depends on the interests of military rulers. Differences in long-standing characteristics of the military and in the kinds of governing institutions installed by military leaders, shape the appointment of economic policy makers. A one-man rule leader, whose military has little experience with factions, provides more opportunities for the appointment of neoliberal economists than collegial governments or factionalized militaries that require consensual agreement.

Although several studies have been written about policies implemented in Chile under military rule, few have compared the policy choices of military regimes in the southern cone.[5] By comparing the policies implemented in these regimes, this essay uncovers clues as to the pressures faced by military governments in their

policy choices. These comparisons of highly similar types of regimes, which nonetheless chose different policies, also show the obstacles military governments face in adopting orthodox policies. The findings demonstrate that military regimes provide neither the right nor the correct model for economic development in Eastern Europe and the former Soviet Union. The fact that these countries are far more different from Chile than Argentina and Uruguay suggests the difficulty in trying to replicate the Chilean model elsewhere.[6]

Theoretical Perspectives on Economic Policy Choice Under Military Rule

Economic policy choices under military rule have received less attention than in democratic systems. The studies about differences in economic policy choices in military regimes have focused on the influence of international financial organizations, the "left threat," economic interest groups, or the role of domestic institutions. Some contend that international financial organizations such as the IMF and the World Bank influence policy choices (Haggard 1990; Stallings 1992). They argue that the higher the debt level accumulated by debtor countries to international organizations, the greater the likelihood that international factors will affect policy choice. While international factors play an important role in narrowing the range of feasible policies, the fact that Argentina, Chile, and Uruguay all owed large debts to these organizations in 1982 and responded differently, suggests the role of domestic forces for explaining policy choices.

Others contend that class elements like a high "left" threat in democratic regimes preceding military coups increases the likelihood of orthodox policies and makes it more likely that the policies will be sustained (O'Donnell 1988; Frieden 1991; Stepan 1988). As orthodox policies have negative effects for the societal groups from which leftist organizations draws support, military governments promote these policies to reduce left threats. While an interesting argument, there are methodological difficulties with defining the degree of left threat, which make it incapable of falsification (Remmer 1991). For example, did Chile's democratically-elected Marxist government pose a greater threat than large terrorist groups in Argentina and Uruguay? Moreover, if military governments want to reduce the left threat, they can initiate populist policies advocated by the left, as in Peru, that attract left supporters and undermine the popularity and support base of leftist organizations.

Some argue that pressures of powerful economic interests lead to a particular set of economic policies (Cardoso and Faletto 1979; Frieden 1991; O'Donnell 1973; Silva 1993). In Argentina's and Uruguay's military regimes powerful interest groups did, in fact, lobby military officers and leaders to block neoliberal reforms. However, as others have shown state officials sometimes have policy preferences not reflective of the most important economic interests in society (Bates 1981; Skocpol 1979). In Chile, General Pinochet initiated orthodox policies that financially destroyed many of the most powerful domestic economic interests. From 1975-1982, the high cost of finance and unrestricted foreign competition in Chile led to the bankruptcy of 2,478 manufacturing firms (Stenzel 1988, 329-331). Small and medium-sized enterprises, and domestic market producers in agriculture and industry rallied against these policies, but they could not stop reform (Campero 1991, 132).[7]

Karen Remmer (1991) argues that Chile's ability to apply more orthodox policies than the other countries depended on the concentration of political power achieved by Pinochet. Remmer asserts that political power concentrated in a single individual rather than by the military as an institution provided state technocrats with autonomy from social forces and from the military itself. The history of professionalism in Chile's military enabled Pinochet to limit the influence of outside pressures without politicizing the military.

This essay builds on Remmer's work by stressing the importance of institutions and state technocrats—insulated from interest group pressures—for the initiation of orthodox policies. It goes a step further, however, by detailing when orthodox policies are most likely to be initiated. The essay also complements economic interest group arguments in that it shows under what circumstances interest groups will influence economic policy choice.

The first section focuses on the effect of differences in long-standing characteristics of the military, such as factionalism, and the kinds of governing institutions established by military rulers. These differences affect the political survival strategies of military rulers, that in turn influence the choice of economic policy makers. I argue that a less factionalized military under one-man rule provides executives with greater freedom in their economic policy-making appointments. These appointees may include neoliberal economists if this serves their interest in political survival.

In contrast to theories that claim that governments employ more highly skilled officials only as a means to overcome developmental bottlenecks, this essay suggests that the imperatives of the struggle for political survival limit the choice of appointment strategies. The evidence presented demonstrates that the degree of factionalization in the military, combined with different governing institutions installed by the military, shape the alternatives available to military leaders, as they appoint economic policymakers who promote their rule.

The next section examines the importance of selecting neoliberal economic policymakers and their influence on policy choice. When military leaders appoint a large number of neoliberal economic policymakers, this increases the likelihood that orthodox policies will be initiated and sustained. Through their training, neoliberal economists share a commitment in their ideas that insulates them from interest groups and improves their ability to initiate and sustain their policy preferences. An empirical section follows, which highlights the differences among regimes to explain Chile's initiation of orthodox policies and Argentina and Uruguay's support for gradualism.

By explaining under what conditions policymakers will be relatively autonomous from interest groups and the circumstances leading policymakers to initiate orthodox policies, this essay addresses issues central to the state autonomy, pluralist, and institutions literatures. This essay also suggests how infrequent the circumstances that give rise to the adoption of orthodox policies under military rule actually occur, which serves to minimize Chile's use as a role model.

Economic Policy Choices and Political Survival

Scholars of economic development agree that domestic economic policies affect economic development (Frieden 1991; Bates 1981). The next step is to exam-

ine the factors that influence the choice of domestic policies. The ideas and professional socialization of economic policymakers explain economic policy choices. This leads one to ask who appoints economic policymakers and what factors influence economic policy-making appointments? The executive branch usually appoints economic policymakers, with a legislative or military body sometimes confirming policymakers before they can assume office.

To explain economic policy-making appointments, much of the literature has focused on democratic governments and the goals of democratic leaders. Barry Ames (1987) argues that, like democratic leaders,[8] at times military leaders want to survive in political office and increase their own power.[9] While many military officers don't care about political office, those who achieve the presidency or its equivalent under military rule usually do since it takes a lot of effort. If we accept that most military leaders identify political survival as their first goal, the next question is what are the survival strategies available to leaders and what factors affect the survival strategies they choose?

One of the most common but least studied survival strategies involves appointments to economic policy-making positions.[10] There are various scenarios wherein military leaders use economic appointments to extend their political careers. In one scenario, military leaders may use appointments as forms of patronage to reward fellow officers and others who have supported them. However, in providing jobs for their friends and supporters military leaders may forgo potential economic benefits that would have been earned if they had hired technocrats who best understood policies to achieve economic success.

Alternatively, military leaders may adopt co-optive appointment strategies that promote consensus among rival leaders. Fear of a counter-coup by military rivals weigh into appointment strategies chosen by leaders. Because military governments have no official unbiased body or document to enforce agreements among junta members, consensual arrangements among leaders on the choice of economic policymakers is even more critical. Like the patronage option, the need for consensus works against the appointment of technocrats. Most officers favor appointees who back protectionist policies and a large state, as these policies provide jobs for officers and subsidies for military enterprises that might not survive without the state's support.

Alternatively, leaders may make appointments that appear to be based more on technical merit than on issues of political patronage or coalition building. Leaders may appoint technocrats who they believe, on the basis of their training, are best qualified to manage the economy. If these economic policymakers can produce strong economic growth and improve economic development, they may serve the career goals of their leaders.

Military rulers thus have different appointment strategies that they can choose from with the intention of promoting their own political careers. Rulers need good economic performance and political support to remain in office. As these scenarios suggest, the need for short-term political support may prevent rulers from achieving good economic results in the medium and long run.

The Military, Governing Institutions, and Economic Appointments

Military leaders, who supposedly favor the same types of policies and policymakers, often vary in their economic policy-making appointments. In the

southern cone, leaders followed different appointment strategies, even though they claimed to support the same economic policies.

To understand why leaders appoint different economic policy makers, it is important to examine the political conditions and constraints that shape their decisions. Differences in long-standing characteristics of the military and in the kinds of governing institutions established by military rulers help to explain appointment strategies chosen by survival-minded military leaders. Specifically, if one examines militaries in various nations, one can distinguish between armies with long histories of deep factional disputes and armies with fairly harmonious relations among the services. These armies are identified as either factionalized or less factionalized.

Three historical factors tend to cause factions to develop. These factors include (1) the frequency of political interventions by the military, (2) the experience of the military with politicized promotions, and (3) the history of competition among the armed services for scarce resources. These decisions lead to struggles over policy and control in the military that promote factions.

Less factionalized armies, in contrast, have had little experience in political matters. These armies have rarely wrested power from democratic forces, or been exposed to politicized promotions. Officers in these armies usually focus on areas where they are more likely to find consensus such as security and defense issues. In addition, one service, most often the army, holds the greatest proportion of resources and manpower that limits the intensity of competitive political struggles among services for their share of the defense budget.

These differences in long-standing characteristics of the military have implications for the political survival strategies and appointment decisions made by military leaders. I contend that military leaders backed by factionalized armies rely on power sharing and consensus building among the branches in order to discourage counter-coups. Attempts at power sharing among the services prompts rulers to make appointments that serve their short-term interest in political survival, but come at the expense of their medium-term interest in economic performance. Political contenders from within their service or others influence rulers to offer appointments, jobs, and favors to military loyalists and competitors in return for short-term political support.

Interests within the military also work against the appointment of technocrats of a particular ideological coloration, namely neoliberal economists (Remmer 1991; Fontaine Aldunate 1988). In factionalized militaries, many officers have become politicized, with some having served as directors of state-owned enterprises. These jobs often provide high salaries and the potential to loot enterprises. Neoliberal economists, however, favor market-oriented policies, which limit sources of patronage and access to state resources. Privatization and economic opening, cornerstones of market-oriented policies, reduce opportunities for rent seeking (Krueger 1974). Since neoliberal economists threaten access to state resources used by leaders to build their support, one would not expect officers to favor the appointment of these economists.

Factions also attract interest group pressures. Since the military serves as the most effective channel for exercising influence over military leaders, interest groups lobby officers. As many interest groups benefit from protectionist policies, these

groups are likely to solicit officers to put up fierce resistance to the appointment of policymakers who support neoliberal policies, which further influences policy-making appointments.

In less factionalized armies, military leaders face a less pressing threat of counter-coups. The history of military professionalism reduces the likelihood that officers will engage in political intrigue. Less factionalized armies, however, do not guarantee the appointment of neoliberal economists. Governing institutions installed under military rule also affect appointments. In broad terms, military regimes are usually managed under one-man rule or junta governments. These institutions provide leaders with varying degrees of autonomy from societal and military interests.

In less factionalized armies governing as juntas, the service chiefs from each branch of the military hold prominent positions in the government. Before making important decisions, service chiefs attempt to reach a consensus. Each service usually controls appointments for several ministries, but no one service controls all economic policy-making appointments.

The parceling-out of influence to each service and intra-institutional bargaining influence appointments. Consensual agreement among mostly protectionist officers impedes the appointment of neoliberal economists. Each member of the junta may also have the power to veto appointments, which contributes to compromise. In addition, the fact that service chiefs and a number of officers are involved in policy decisions increases access points for protectionist interest groups. Moreover, as leaders struggle for prominence in a junta government, they may try to mobilize support for themselves by promoting protectionist policies favored by most civilian groups.

Military and governmental institutions thus have important consequences for economic policy-making appointments. Military rulers have a choice of using appointments for short-term political considerations or medium-term economic goals (Geddes 1994). Political constraints under these kinds of governmental or military institutions, however, force rulers to make appointments that satisfy immediate short-term goals. Fear of counter-coups, responsiveness to powerful interest groups, and satisfying a broad range of societal and military interests force rulers to adopt appointment strategies that serve their short-term goal of political survival.

One-man rule with a less factionalized military (here on referred to as consolidated one-man rule), by contrast, may be critical for a ruler's medium-term interest in economic performance to supersede their short-term interest in political survival. Under consolidated one-man rule, the leader has less need to consult with other officers prior to making decisions, and less fear of a counter-coup. One-man rule also limits access points for interest groups, who have one access point to lobby for change, namely the military leader. Leaders, of course, cannot wholly ignore societal or military interests, as they can be overthrown. Consolidated one-man rule, however, confers greater autonomy on leaders in their appointment strategies.

Greater autonomy in economic policy-making appointments does not insure that leaders will appoint neoliberal economists. But, in contrast to situations that compel leaders to expend political capital to satisfy immediate political considerations, leaders under consolidated one-man rule and efforts to achieve such rule can follow medium-term survival strategies.

The appointment of neoliberal economists may be a part of a medium-term strategy to promote survival and consolidate power.[11] As neoliberal economists are considered knowledgeable in economic policymaking, they may have a greater understanding of the policies necessary to obtain long-term economic growth.[12] Through their similar educational backgrounds, neoliberal economists and external financial representatives also speak the same economic language (Pion-Berlin 1986, 323).[13] These connections increase credibility between lenders and debtors that aid in the securing of loans for investments. Policies endorsed by neoliberal economists, such as the reduction of state in the economy, also contribute to the decline and fragmentation of many powerful interest groups who depend on the state for their survival. Their decline makes the leader less beholden to any group, which helps to consolidate his power (Garretón 1986, 155).

Consolidated one-man rule does not guarantee the appointment of neoliberal economists to economic policy-making positions. One-man rule can have negative consequences, as shown in the leadership of Ferdinand Marcos in the Philippines, Joseph Mobutu in Zaire, and Idi Amin in Uganda. But consolidated one-man rule increases the likelihood of such appointments relative to consensus-oriented systems, such as factionalized armies, or less factionalized armies under oligarchical rule that satisfy a broad range of interests within the leadership.

Neoliberal Economists, Ideas, and Policy Outcomes

Attempts to understand why military leaders appoint neoliberal economists for economic policy-making positions in one country and not in others, leads to a consideration of the effect neoliberal economists have on policy choice. In the past decade, scholars have focused less on policy makers and more on the impact of ideas to explain policy choice (Grindle and Thomas, 1991; Sikkink 1991). While many theorists agree that ideas influence policymaking, many question why, out of all the ideas available, certain ones are chosen.

Neoliberal economists in economic policy-making positions, however, may explain how regimes implement unpopular policy choices and help extend and revise the ideas literature. I argue that when similarly-trained economists dominate decision-making positions, the mechanism by which ideas shape policy and perhaps even public opinion becomes more clear. The similar training and ideology of policymakers makes them a cohesive team with a commitment to like ideas.

This does not suggest that economists will all share the same beliefs. On the contrary, various economic schools of thought exist, which provide competing explanations about the role of the state and market forces in the economy. The training of economists over the past thirty years in universities in the U.S. and by faculty in foreign countries who earned their graduate degrees in universities in the U.S., however, has promoted an ideology that mainly backs free-market policies (Piñera 1991, 7). Once these U.S.-trained economists dominate economic policymaking, their commitment to orthodox ideas propels them to initiate orthodox policies.

Based on their similar ideas, these policymakers form a coherent team that not only contributes to a strong commitment to their policy choices but also helps to insulate them from outside pressures. Given their expertise in economic

policymaking, economists do not solicit or believe that they need advice from individuals outside their community, enhancing their autonomy.

As economic policymakers stone wall interest groups, these groups lobby military officers in an effort to bring about policy change. Officers, though, are unlikely to influence economic policies as the professional culture of the economic team becomes nearly impenetrable. This leads to the replacement of economic team members as the most promising method to cause policy change. However, as long as policymakers continue to support the leader's survival, the leader has fewer incentives to replace them.

Empirical Cases

This section examines how differences in the military and in its governing institutions shaped political survival strategies in the southern cone, which affected the appointment of economic policy makers. Chile (1973-1989) and Argentina (1966-1969) exemplify cases of one-man rule, and Uruguay (1973-1984) and Argentina (1970-1973, 1976-1983) illustrate cases of collegial regimes. Military forces in Chile and Uruguay are identified as less factionalized, while factionalism surfaced in Argentina (see Diagram 1).

DIAGRAM 1

Characteristics of the Military and its Governing Institutions

History of Military	*Military Rule: One-Man*	*Military Rule: Junta*
Less Factionalized	**Chile 1973-89**	**Uruguay 1973-84**
Factionalized	**Argentina 1966-69**	**Argentina 1970-73, 1976-83**

Chile

For many years, Chile's military had supported the country's long-held democratic tradition. Except for a short period (1927-1932), Chile had been marked by nearly 150 years of civilian rule and an apolitical, less factionalized military. Chile had no history of politicized military promotions and the army had always dominated the other services.

On September 11, 1973, the military deposed the democratic government. The military installed a junta government with each service chief holding equal power and divided up control over cabinet ministries among the service branches (Valenzuela 1991, 27-32). The junta also concentrated decision making to the service chiefs, which minimized access points for interest groups. A year later in 1974, General Augusto Pinochet adopted an ambitious political strategy that led to one-man rule.

From the outset, military rule produced tensions between Pinochet and Air Force Commander General Gustavo Leigh. Having served as commander of the air force longer than Pinochet had as commander of the army, Leigh contended that he should be commander-in-chief of the armed forces. Pinochet argued that since the army held the most resources and personnel, he, as head of the army, should serve as commander-in-chief. In 1974, Pinochet took actions to preserve his political position and his position as leader of the armed forces.

As a first step toward installing one-man rule, Pinochet created Dirección Nacional de Inteligencia (DINA), the military intelligence agency. Although DINA coordinated and centralized activities of the military against opposition forces, which in theory reported to the junta, an army officer served as DINA's director, who reported directly to Pinochet (Valenzuela 1991, 47-50). DINA concentrated power in Pinochet's hands and dispelled any pretense of equality among the service chiefs (Arriagada 1988, 17-18).

Pinochet also issued Decree Law 527 to install one-man rule. This statute not only did not recognize the junta's prerogative to designate the president, but it also conferred executive power on the President of the junta who also served as Supreme Chief of the Nation (Valenzuela, 1991, 37). Pinochet held executive power without a fixed term and could not be dismissed by the other junta members.

Even with these changes, Pinochet felt politically constrained. Junta laws still required unanimous approval of the service chiefs. Pinochet used the power of appointments to consolidate one-man rule and diminish the standing of Leigh. From the beginning of the military takeover, Leigh had favored Keynesian ideas (Varas 1979). Leigh spearheaded the appointment of the first economic team notable for its ideological heterogeneity (Arriagada 1988, 7). By 1975, however, "Chicago Boys," economists trained from the University of Chicago, dominated economic policy making.

Pinochet, who had not previously advocated a market-oriented economy (de Castro 1992; Matthei 1992), appointed the Chicago Boys to neutralize both the arguments and strength of Leigh (Fontaine Talavera 1992, 115). Prior to the appointments, Pinochet had witnessed the heated exchanges between the "Chicago" economists who held subsecretarial positions within the government and Leigh. Pinochet appointed these economists as opponents to the rival junta member in order to consolidate his rule. As Leigh proposed policies opposed by economists, this united team of economists could tear apart his arguments in front of military decision-making committees, making Leigh appear less competent among his colleagues. "Chicago" economists weakened Leigh's standing among officers and within the junta.

Economic considerations also influenced Pinochet's appointments (Delano and Traslaviña 1989, 45). Because of the fall in the price of copper and the rise in the

price of oil, Chile's balance of trade account worsened in 1974. Human rights abuses restrained most international organizations from offering loans that further exhausted foreign resources. The appointment of neoliberal economists addressed these issues. Based on their schooling, neoliberal economists had ties to officials from international organizations that increased credibility with lenders and attracted money from abroad (Massad 1992).

The appointment of neoliberal economists also enabled Pinochet to consolidate his rule by weakening powerful interest groups. Most neoliberal economists opposed formal links between entrepreneurial organizations and the government (Campero 1991, 155). Independent economists introduced market and labor policies that led to the collapse and fragmentation of many powerful interest groups (Costabal 1992). Their collapse made Pinochet less beholden to any group and helped to consolidate his power (Garretón 1986, 155).

By appointing these economists, Pinochet also finessed the usual trade-off between political loyalty and technocratic expertise. Pinochet consolidated his rule by weakening his competitors and doling out benefits to the military quamilitary through increased military budgets, military appointments to state-owned enterprises and cabinet positions other than economic policymaking, and expanding the officer corps. He hired neoliberal economists as his economic policymakers, securing the advantages of employing qualified personnel.

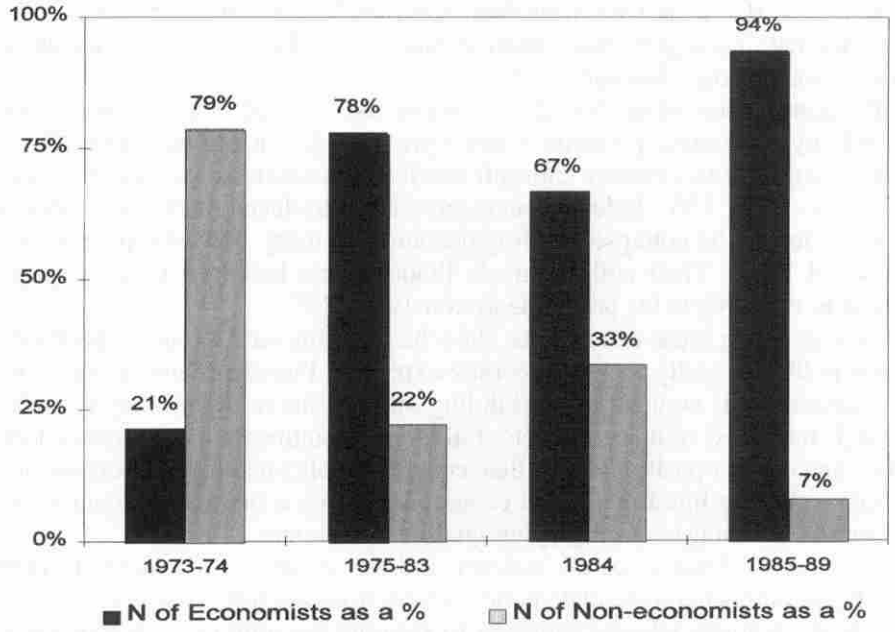
The apolitical nature of the military and the allotment of benefits to officers also helped Pinochet to insulate policymakers from interest groups. The military's apolitical traditions allowed Pinochet to separate the military as institution from the military as government, restricting military influence in policy matters (Valenzuela 1991, 31-36). Those officers who did receive government positions, responded to the government line of authority and did not serve as representatives of the armed forces (Agüero 1989, 87). Particularistic benefits to the armed forces also retained their loyalty to Pinochet. Military loyalty to Pinochet enabled him to insulate economic policymakers from military interests, which obstructed interest group access.

The coherence of ideas held by economic policymakers also impeded interest group access. Most of the policymakers had studied economics at the same schools in the United States and Chile. An agreement between the University of Chicago and Catholic University in Santiago in the 1950s provided many Chileans with the opportunity to study economics in a department that advocated the free market. Most of these students returned to Chile as professors to train a new generation of economists. The student/student and professor/student relationships developed during this period contributed to the coherence of their ideas (de Castro 1992).[14]

As Chart 1 shows, many of these economists formed a "critical mass" of economic policymakers during 1975-1983, with economists holding nearly 78% of the policy-making positions.[15] Their commitment to orthodox ideas enabled them to initiate radical reforms against strong opposition. By 1979 tariff levels had reached an all-time low of 10 percent across-the-board on nearly all products. Policymakers also instituted reforms in the financial and labor markets, privatized many state-owned enterprises and the social security system, and reduced virtually all forms of protection.

CHART 1

Percent of Economics in Economic Policy Making in Chile



Sources: Montecinos, 1988; Chilean Central Bank; Chilean Planning Office.[1]

The cohesion of the economic team also affected the ability to sustain the policies. By educating officers about the benefits of orthodox policies and having a large pool of available "Chicago" replacements, the coherent team created support for its program.

Although Pinochet defended his "Chicago" policymakers, societal pressures affected him in the early 1980s. No government is completely autonomous from interest groups. Despite massive bankruptcies in 1982, Pinochet backed his policymakers. But by mid-1983, violent street protests and riots forced Pinochet to change some personnel. Pinochet appointed Sergio Onofre Jarpa as Minister of Interior and Luis Escobar Cerda as his Finance Minister, who both strongly opposed the Chicago Boys. Following their appointments, the proportion of economists decreased by 11.1 percent, and the intensity of neoliberal policies declined, as indicated by rising and non-uniform tariffs, the imposition of price controls, and greater state intervention in the economy.[16] When pressure fell in 1985, Pinochet replaced Jarpa and Escobar with neoliberal economists, some of whom had worked for Pinochet during the 1975-1983 period. Their return solidified the program (Cáceres 1992; Larroulet 1992).

In summary, consolidated one-man rule and efforts to achieve it enabled Pinochet to appoint neoliberal economists in economic policy-making positions and to insulate them from societal and military influence, as part of a strategy for achieving political ambitions. Pinochet would implement a political survival strategy necessary to thwart competitors, provide benefits to officers, and employ technocrats.

Argentina

The history of Argentina's military shares few parallels with Chile. Politicized military promotions, intense inter-service rivalries, and the frequency of political intervention by the armed forces created strong factions in Argentina's military. From 1930-1983 short periods of democratic rule blended with longer stints of military control.[17]

In 1966, societal pressures led the military to intervene again. General Juan Carlos Onganía instituted one-man rule, retiring from active duty and divorcing himself from the armed forces (Rouquié,1987, 294). Onganía created hierarchical governmental institutions and enforced specialization by the armed forces in security issues to separate the military from politics. He also appointed civilians to nearly all the highest positions of the government. By excluding the military from governmental affairs, Onganía hoped to reduce factionalism.

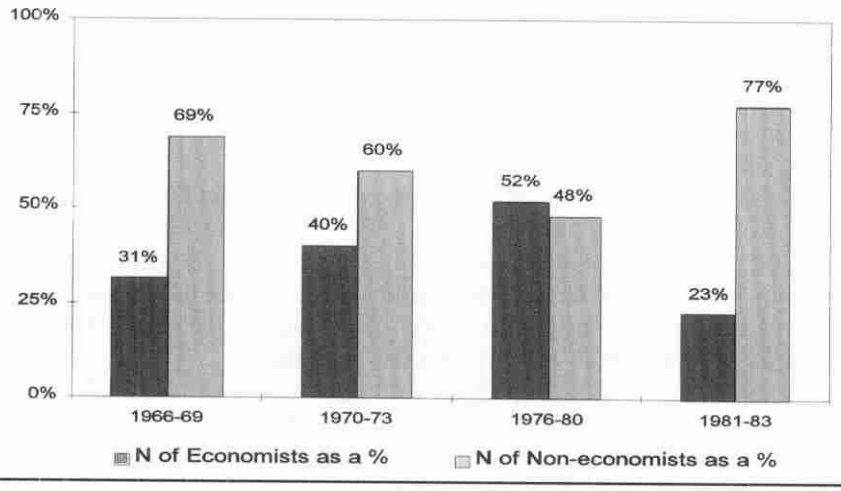
Onganía also favored economic policies to minimize military divisions. His initial policies received support from most officers. Due to the economic problems caused by these initial policies, Onganía initiated a fairly austere economic program in late 1966. This policy change provoked officers to demand a greater voice in political decisions. Onganía responded by creating a national security council that institutionalized military input into policy choices.

Efforts to sustain an apolitical military, however, became more difficult as factions reemerged. One faction, the paternalists, supported authoritarian rule but with the military detached from politics. Other groups supported military involvement in politics, but espoused different policies. Nationalists advocated a strong state and measures to protect the domestic market. Liberals, by contrast, preferred open market policies (O'Donnell 1988, 55-57).

Onganía responded to tensions within the armed forces by appointing few neoliberal economists. From 1966-1969, economists held only 31.2 percent (see Chart 2) of the

CHART 2

Percent of Economics in Economic Policy Making in Argentina



Source: Argentine Finance Ministry, Central Bank, and Planning Office.[2]

economic policy-making positions. Onganía also acceded to nationalist pressures by creating a secretariat with a veto over policies proposed by the economics ministry (O'Donnell 1988, 76).

These military factions became fertile ground for the grievances of interest groups. Since the military served as the most effective channel for exercising influence over Onganía, interest groups lobbied officers, which inflamed the already heated factions. As the military became more factionalized, this stimulated more demands being filtered through them (O'Donnell 1973).

Over the next two years, Economic Minister Adalbert Krieger Vasena's team applied stabilization measures, reduced tariffs, and imposed price controls to confront inflation. By 1969, Argentina's economy began to recover, but nevertheless opposition persisted from military factions who opposed opening the economy (O'Donnell 1988, 103-114).[18] This opposition led to strike activity and student unrest in Córdoba, with the complicity of some military factions.[19] The cordobazo left Onganía with a choice between acquiescence to military demands or confronting a counter-coup. Onganía adopted a survival strategy to appease officers in Córdoba. Onganía sacked his economic minister and others from his cabinet. Within a year, the army forced Onganía to resign. The proportion of economists never grew significantly after this, and gradual neoliberal policies withered away.

The military chose General Roberto Levingston as Onganía's successor. Levingston, who worked as one of four participants in making important decisions, showed his allegiance to nationalist economic ideas. As part of his nationalist program, Levingston offered concessions to workers and domestic manufacturers in order to broaden his support base. These concessions did not prevent banned political parties from banding together in November 1970 to demand an immediate return to democratic rule. Three months later unrest in Córdoba erupted again.

Following the upheaval in Córdoba, the military replaced Levingston with General Alejandro Lanusse. Like Levingston, Lanusse used concessions in an attempt to attract support. Even with concessions, the popularity of military rule declined. Aware of popular sentiment, Lanusse made the extreme concession of lifting the ban on Peronism. Lanusse believed that by negotiating with Peronists, he could increase his popularity and serve as president under democratic rule. Lanusse, however, miscalculated his support base. In 1973, democratic elections led to Juan Perón's return as president. In 1974, Perón died leaving his vice president and wife, Isabel Perón as the new president. Over the next two years, economic and political turmoil spread throughout the country leading to another military coup (Cavarozzi 1986).

The military took power in 1976 and opposed granting dictatorial powers to any branch of the military let alone one person. The military installed a government with clearly defined rules of succession for the members of the junta and an institutional arrangement of direct and equal participation among the service branches. The junta made decisions through majority rule, except in the case of designation or removal of the junta chief, which required unanimity.

Equality among the services implied arduous interbranch negotiations in the appointment of economic policymakers (Fontana 1987, 44-49). Following the appointment of the "economic team," conflicts arose between officers and some members of the economic team. Admiral Emilio Massera, service chief of the

navy, and General Díaz Bessone, head of one sector of the army, expressed their opposition to Economic Minister José Alfredo Martínez de Hoz's policies and to junta leader General Jorge Videla, who supported orthodox economic policies (Videla 1992; Schvarzer 1983). A power struggle ensued among the service chiefs on economic policies. This lack of cohesion in Argentina's state apparatus weakened the chance of choosing a coherent team of experts (Stepan 1985, 330).

During 1978-1980, a few more economists entered the economic team and initiated some orthodox reforms. The lower proportion of economists (51.9 percent) compared to Chile (77.8 percent) inhibited the adoption of an orthodox program. The Argentine team held heterogeneous economic beliefs compared to the Chileans, which made it difficult for the team to convince the military government to sustain neoliberal policies (Diz 1992; Estrada 1992; Solanet 1992).

The institutional structure of power sharing affected not only appointments, but also policy choices. As part of this power sharing, the junta submitted important economic proposals to the Legislative Advisory Committee (LAC). The LAC, composed of active members from each service, provided advice to the junta on legislative matters and could delay, change, and veto presidential initiatives. Thus, not only did the junta leader have to deal with other service chiefs who held veto power, but all important initiatives had to be submitted before the LAC, increasing the opportunity for officers to derail orthodox plans (Fontana 1987, 30).

Power sharing also affected interest group lobbying. At first, big business supported Martínez de Hoz. In his first year, Martínez de Hoz protected business from foreign competition through an overvalued exchange rate and high tariffs. Over time he reduced protection. Businesses responded by lobbying sympathetic officers who pressured the military government (Epstein 1985, 30-31). The influence of the military over policy, through the LAC and the rotation of service chiefs provided opportunities for interests to affect policies.

In 1980, internal squabbles within Argentina's armed forces grew, as shown by the less than automatic selection of Videla's successor, General Roberto Viola as the new junta leader (Pion-Berlin 1985). Prior to his selection, Viola had made promises to attract supporters from military and business groups (Fontana 1987, 124-125). In 1981, as part of his repaying debts to supporters, Viola deliberately selected policy makers that had protested his predecessor's policies. These policymakers promptly abandoned the tablita, the preannounced devaluation of the exchange rate, and called for large devaluations. Investors responded by sending capital abroad, spiraling the economy into a deeper recession.

In December 1981, the army replaced Viola with General Leopoldo Galtieri. In April 1982, Galtieri invaded the Malvinas/Falkland Islands, hoping to stir up nationalistic support for his rule. British forces quickly defeated Argentina, creating an even more divided army. After Galtieri's fall, the transition to democratic rule began.

In sum, none of Argentina's military regimes created an institutional structure that could handle factional pressures. While Onganía instituted one-man rule to reduce factional tensions, military pressures built up. The previous politicization of the armed forces led to the reemergence of factions and limitations on the appointment of economists. The incoherence in the economic team, as a result of the low proportion of economists, made it difficult for policy makers to agree to ini-

tiate orthodox policies. Their incoherence also provided interest groups with access to policymakers. Onganía's successors chose appointment strategies that satisfied many interests in order to prolong their tenure. While Videla wanted to appoint many neoliberal economists in the late 1970s, power sharing among the service chiefs restricted his cabinet choices (Videla 1992). Power sharing and the LAC also provided access for interest groups to impede the adoption of orthodox policies.

Uruguay

Uruguay's military historically had few factional problems. The armed forces had isolated themselves from civilian affairs and had not intervened in democratic rule for over 150 years. The army dominated the other services and the military employed merit-based promotions (Rial 1986; Myers 1988; Moore 1978).

In June 1973, military officers forced the dissolution of parliament and an end to democracy. The armed forces made the coup appear to hold some semblance to democratic rule. As part of the emergency powers reserved for him in the constitution the president dissolved the National Assembly. Moreover, the military retained the legally-elected civilian president, and replaced the National Assembly with a Council of State comprising far right members of the main political parties (Gillespie 1991).

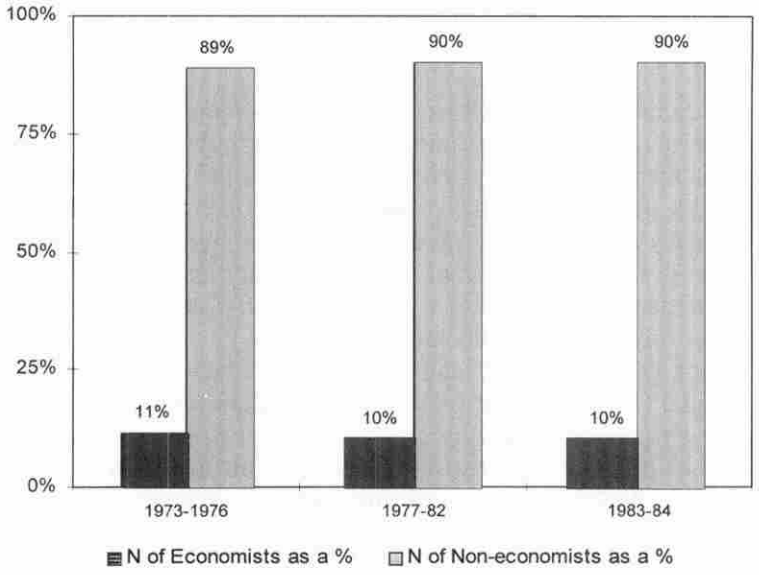
As a complement to these "democratic" measures, the military constructed governing institutions that prevented a concentration of power. Like Argentina (1976-1983), Uruguay's military adopted a consensus-oriented system that relied on a rigid collegial system with strict rotations. Military officers rotated assignments preventing the accumulation of a personal following by a single officer.[20] Uruguay's system also rotated the president and military posts (including service chiefs) and elected the service chiefs through votes of high-ranking officers from the Junta de Oficiales Generales, ensuring a deconcentration of power.

The Junta de Oficiales Generales, composed of twenty one top-ranking generals from the three service branches, tried to assure participation by all three branches in decisions.[21] While service chiefs made most decisions, they consulted with the Junta de Oficiales Generales prior to making important decisions, which fostered consensus (Gillespie 1991; Handelman 1981a).

The focus on consensus, however, "engendered significant internal veto power, opened up multiple lobbying points for civil society, and reduced the capacity of state planners to implement the sweeping policies they proposed (Stepan 1985, 326)." Consensual agreement also worked against the appointment of neoliberal economists, as most officers, based on their training, opposed neoliberal policies (Myers 1988; El Proceso Político 1978). While President Juan María Bordaberry advocated orthodox policies and appointed Harvard-trained economist Alejandro Végh Villegas as his finance minister in 1974, few economists made up the rest of the team (Bordaberry 1992). Economists represented only 11.3 percent of the economic policy makers (see Chart 3) from 1973-1976. The army chose their own officers or friends, without economic training, to work in policy-making positions. Consensus under collegial rule and input from over twenty military officers worked against the appointment of neoliberal economists.

CHART 3

Percent of Economists in Economic Policy Making in Uruguay



Source: Uruguayan Central Bank and Planning Office.

Frequent rotations of service chiefs also reduced opportunities to appoint neoliberal economists. High-ranking contenders competed with others for service chief positions. As in any political struggle, contenders made promises to attract supporters. Given the opposition to neoliberal policies by most in the military and interest groups, one would not have expected prospective service chiefs to support the appointment of neoliberal economists.[22] Indeed, once in office, service chiefs used governmental positions and directorships in state enterprises to repay supporters (Rial 1989, 106).

The economic policies introduced in 1974 reflected the views of the military. While Végh Villegas fought hard to initiate financial liberalization, cut tariff rates, and reduce price controls, military officials refused to allow large tariff decreases or privatization of state-owned firms (Végh Villegas 1977). When Végh resigned in 1976, the likelihood of initiating even more orthodox policies declined. The proportion of economists in economic policy-making positions had fallen to only 10.0 percent during 1977-1982.

In addition to affecting economic appointments, collegial rule with strict rotations and the large contingent of officers increased interest group contact with the military. Military opposition to neoliberal policies contributed to a close relationship between protectionist industrialists and officers. Protectionist interests from the meat packing, tanning, and auto industries cultivated military "protectors," who prevented price deregulation in the meat packing and tanning industries and maintained restrictions on the import of cars (Handelman 1981b).

To gain the upper hand over interest groups and to maintain himself in office, President Bordaberry attempted a survival strategy similar to Chile's Pinochet's.[23] Bordaberry tried to consolidate his power by abolishing all political parties, canceling the 1976 elections, and forcing the withdrawal of officers from the government (Gillespie 1991; Handelman 1981a). The military responded by sacking him in 1976.

The military then installed Alberto Demicheli as interim president and replaced him with Aparicio Méndez, the military's civilian puppet. In 1982, the military chose one of their own as president, Gregorio Alvarez. By this time, two years after the failed plebiscite to change the constitution,[24] the regime had begun to suffer legitimacy and economic problems.[25] The tablita exploded leading to the disintegration of the entire program. Trade protection increased, no privatizations occurred, and the financial market became less open (Larraín 1986). Over the next two years, the transition to democratic rule began.

In summary, while Uruguay's military had a less factionalized military, its system of collegial rule with strict rotations fostered consensual agreement. Similar to Argentina, Uruguay's leader espoused orthodox policies, but different ideas held by members of the economic team made it difficult to convince themselves, let alone officers, of the benefits of sustaining neoliberal policies. This lack of a cohesive team enabled interest groups to influence policy choices (Caumont 1992; Protasi 1992). Collegial rule and military support for statist economic policies favored the appointment of few economists and the influence of interest groups on policy choice.

Summary

This essay has shown the effect of differences in long-standing characteristics of the armed forces, and in the types of governing institutions installed by military rulers on economic policy choice. These differences affect political survival strategies of military leaders, including their appointment decisions. Consolidated one-man rule provides advantages over more pluralistic forms of military rule when it comes to appointing neoliberal economists.

The effect of neoliberal economists for policy choices under military rule also has implications for democracies in Argentina, Colombia, Mexico, and Uruguay. In the past decade, Argentina, Colombia, and Mexico have all, for the first time, initiated orthodox economic policies. In the past, when economic policy makers applied less orthodox policies, neoliberal economists represented only a small proportion of the policy makers. Today, most of these economic policy makers have received their graduate training in economics in the U.S. By contrast, Uruguayan President Luis Alberto Lacalle (1990-1994) favored orthodox policies, but institutional factors restricted his ability to appoint neoliberal economists.[26]

The history of economic policy choice in Argentina, Colombia, Mexico, and Uruguay suggest that the correlation between neoliberal economists and orthodox economic policies is not spurious. Prior opposition to orthodox policies by leaders in Chile (Pinochet), Argentina (Carlos Menem), Colombia (Virgilio Barco), and Mexico (Miguel de la Madrid), who later introduced orthodox policies, and the inability of leaders in Argentina (Videla) and Uruguay (Bordaberry and Lacalle), who favored orthodox policies but failed to initiate these policies, suggests the

importance of neoliberal economists for policy choices. While leaders prefer certain policy choices, their ability to initiate and sustain these policies also depends on whether they have the political leeway to make the appointments most likely to carry out the policies they favor.

These cases also suggest that military regimes are no better and may even be worse than democracies at initiating orthodox policies. Chile has been viewed by many, including some governmental members of the former Soviet Union, as the model they prefer to imitate.[27] But much of what occurred under military rule in Chile depended on governing institutions and political consolidation strategies specific to General Pinochet's government. For the former Soviet Union and Eastern Europe, military or authoritarian rule should not be seen as the best means for initiating unpopular policies.

Notes

1. Comments on earlier versions of this paper were gratefully accepted from David Brown, David D'Lugo, Jeff Frieden, Barbara Geddes, Anthony Gill, Jonathan Hartlyn, Carlos Juárez, and Kurt Weyland. As always, any mistakes herein are mine alone.
2. See Sachs (1993; 1996), who has consistently argued that Eastern Europe and the former Soviet Union need to adopt shock therapy, a policy best identified with the Chilean model.
3. Although military and authoritarian regimes are not necessarily the same, in both cases the leaders under these regimes are supposedly better able to pursue painful economic policies than democracies who are concerned about their short-term popular support.
4. President Carlos Menem in Argentina and President Luis Alberto Lacalle in Uruguay chose more orthodox economic policies than did military governments.
5. Some exceptions that compare economic policy choice in the southern cone include Corbo and de Melo (1985); Ramos (1986).
6. Indeed, many of the theories derived from Latin American research to explain economic reform predict the reverse of what is actually happening in Eastern Europe and the former Soviet Union. See Hellman (1996).
7. See also Pion-Berlin (1986, 318), who demonstrates the limitations of economic interest group arguments for explaining Chile's economic policy choices.
8. For examples of political survival under democratic rule see Geddes (1994); Mayhew (1974).
9. The fact that the main interest of leaders is the maintenance of office does not preclude them from having substantive preferences that go beyond staying in power. However, the need for short-term survival imposes a constraint on military leaders' efforts to achieve those preferences.
10. Appointment strategies builds on a framework developed by Geddes (1994).
11. Special thanks to Kurt Weyland for his suggestions in this section.
12. This does not suggest that neoliberal economists in economic policy-making positions will automatically lead to adequate economic performance. But they have more knowledge about the policies necessary to produce economic growth than those without such training.
13. See also Garritsen de Vries (1986, 54-57), who shows that neoliberal economists make up nearly all the staff and the board of the IMF.
14. See also Evans (1992, 151-166), who discusses classmate and interpersonal relations that promoted coherence in the Japanese, South Korean, and Taiwanese bureaucracies.
15. To determine if the economic policy makers were economists, I consulted several economists in each country, and reviewed publications to obtain individual backgrounds about the policy makers. This is not a perfect measure of the influence of neoliberal thought. Some economists are included whose specific educational backgrounds were not readily available. Additionally, there is the problem of those who changed their ideological background over their lifetime. Nevertheless, based on the comments of economists in Argentina, Chile, and Uruguay, it is clear that the vast majority of economists in this sample were American-trained or studied

under others trained in the U.S. It is only in Chile in 1984, and Argentina in 1970-1973, that some structuralist economists served as economic policy makers, and their entrance fits nicely with the findings of this essay.

16. If one separates economists trained in the U.S. or Catholic University from economists educated at other universities, the proportion of "Chicago" economists falls even more.
17. The military overthrew civilian governments in 1930, 1943, 1955, 1962, 1966, and 1976. For an overview on military interventions, see Potash (1980); Rouquié (1987).
18. One reason for military opposition was concern about Fabricaciones Militares, the military-operated enterprises. To survive, these enterprises depended on high subsidies and protection from external and internal competition.
19. For arguments on military complicity in the cordobazo, see Roth (1980); Simone (1992).
20. The military also maintained automatic retirement rules that prevented the emergence of a military strongman. See Rial (1989, 103).
21. The number of generals increased to twenty-six in 1981.
22. See Handelman (1981a) for a discussion of the disagreements between the few economists appointed to economic policy-making positions and officers.
23. In a personal interview, Bordaberry (1992) mentioned that he wanted the power and influence that Pinochet had amassed in Chile. He also discussed his exchange of letters with Pinochet.
24. For an informed account of the factors that contributed to the failed plebiscite and the eventual transition to democratic rule, see Gillespie (1991).
25. Moreover, when the military finally selected an officer as president, they chose Gregorio Alvarez, a retired general who was restricted in his power and influence over the armed forces.
26. For data on the proportion of economists in economic policy-making in Argentina, Colombia, Mexico, and Uruguay, and on the political institutions under democratic governments that affect cabinet appointments, see Biglaiser (1994).
27. In the early 1990s, former Soviet policy makers including Egor Gaidar and his team were happy to be associated with Chicago Boys (Stavrakis 1993, 5).

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